



Executive Summary

THIS ANNUAL PUBLICATION contains long-term population, labor force, employment, and personal income projections for Washington State. The labor force and employment projections are jointly prepared by the Office of Financial Management (OFM), Forecasting Division, and Employment Security Department, Labor Market and Economic Analysis Branch. The forecast horizon extends from 1998/99 to 2020. The medium-term forecast for the 1998-2001 period is consistent with the November 1998 Economic and Revenue Forecast Council official state economic forecast.

In contrast to the short-term economic forecasts that focus on assessing business cycle conditions, long-term projections examine demographic trends, structural changes in industries, changes in production factors such as labor supply and capital investment, and technology/productivity advancements.

The forecasts suggest that, over the next two decades, the Washington economy will grow faster than the national average. However, several basic demographic trends (i.e., composition and aging of the population) dictate slower labor force and employment growth relative to the state experience of the past 30 years. Key findings are summarized below.

Population

- **Washington's population will increase 40 percent by the year 2020.** In 1998, about 5.8 million people lived in the state. The state population is expected to increase 1.7 million over the next 22 years, reaching 7.5 million by the year 2020. A substantial portion of the population growth will come from net migration – the difference between the number of people moving into the state (in-migration) and those moving out of the state (out-migration).
- **Aging of the population will be the most important demographic phenomenon in the next few decades.** In 1998, 11.4 percent of the Washington population was age 65 and over. By 2020, this age group is projected to account for 16.2 percent of total state residents. Most of the increase in the elderly population will take place during the 2010-20 period, when the Baby Boom generation starts entering this age group.

Labor Force

- **Washington's total labor force will increase 29 percent between 1998 and 2020.** In 1998, the civilian labor force in Washington totaled 3.04 million, double the 1970 level. The state is expected to gain an additional 889,500 workers during the following 22 years and, by the year 2020, have a workforce of 3.93 million.

- **Between 1998 and 2020, the Washington labor force will grow at an average rate of 1.2 percent per year, significantly slower than in the past three decades.** Changes in the age composition of the population is a major determinant of state labor force growth. In Washington, the prime working-age population group, those age 25-54, is expected to increase on average 13,300 persons a year between 1998 and 2020, substantially below the growth of 48,400 persons per year experienced between 1970 and 1998.
- **The labor force participation rate will be lower in 2020 than it is today.** In 1998, the labor force participation rate in Washington was 71.9 percent, significantly above the 61.5 percent level in 1970. The labor force participation rate is projected to decline to 68.1 percent by the year 2020. Most of the decline will occur during the 2010-20 decade when a large portion of the state population shifts into the retirement age.
- **Washington's labor force will become more diversified in terms of age, sex, racial, and ethnic compositions.** By 2020, nearly half of the Washington labor force will be female. Older workers (age 55 and over) are projected to represent about 20.5 percent of all state workers in 2020, almost doubling the 1995 share. The share of nonwhite workers in the state labor force is expected to rise from 11.4 percent in 1998 to 14.7 percent in 2020.

Employment

- **Between 1998 and 2020, about 864,800 jobs will be added to the Washington economy.** Wage and salary employment in Washington more than doubled in the past three decades to 2.59 million in 1998. State wage and salary employment is projected to grow at an average annual rate of 1.3 percent over the next 22 years, reaching 3.46 million by 2020.
- **Most of the projected employment growth will be in retail and services industries.** From 1998 to 2020, trade and services are predicted to account for over two-thirds of total job increase in the state. Especially strong growth is expected in the export-oriented services businesses, which include legal services, business services, engineering, management, and accounting services.
- **The goods-producing sectors in the state will outperform their national counterparts.** Employment in the state's goods-producing sectors (i.e., manufacturing, mining, and construction) will increase at a slow pace due mainly to the anticipated productivity growth. As a result, the share of total state jobs in this industry group will drop from 20.2 percent in 1998 to 15.9 percent by 2020. However, this expected slow growth in Washington still compares favorably to the projected growth for its national counterpart, due mainly to the bright outlook for the aerospace, machinery, and instrument production in the state.
- **Washington's economy will become increasingly diversified.** For decades, state employment was highly concentrated in defense, aerospace, and timber industries. Booms and busts in these industries frequently would induce the same conditions in the overall state economy. The growing importance of trade and services employment in the future will lead to more diversified and stable economic growth for Washington.

Personal Income

- **Washington's total personal income will increase faster than the nation as a whole.** Personal income in Washington amounted to \$159.5 billion in 1998, about 2.2 percent of the national total. The projected faster income growth in Washington will raise the state's share of total national personal income to 2.4 percent by 2020.
- **Per capita income in Washington will remain above the national average.** In 1998, real per capita income (1992 dollars) in Washington was estimated at \$24,770, about 6.1 percent above the national average. The projected state real per capita income in 2020 will be about one-third higher than the 1998 level, and 3.8 percent above the forecasted national average.
- **Real average earnings in Washington have been rising since 1989, reversing the declining trend in the previous 10 years.** Real average earnings in the state declined between 1979 and 1989. Although part of the loss came from a change in the mix of industries, most of the loss was due to a decline in average earnings within virtually all industrial sectors of the Washington economy. The trend began to reverse in 1989 and, by 1997, Washington real average earnings had finally risen above the 1979 level.

